

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **201634027**
Release Date: 8/19/2016

Date: May 23, 2016

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

X = Program Name
b dollars = Amount
c dollars = Amount

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program called X.

The purpose of X is to award two types of educational scholarships. First, there will be five non-renewable merit-based awards granted per year to students selected by your committee in the amount of b dollars. These awards will be given to five college-bound seniors: one who has played varsity basketball, one who has played varsity baseball, and three who are planning to major in biology, physics or chemistry. Recipients are selected based on academic success, community service record and an essay.

Second, there will one scholarship in the amount of c dollars per year awarded every four years, based on both merit and need. Seniors graduating in the current year with the plan to attend a four year college or university directly after high school and pursue a BS in a science field, have financial need and at least a 3.0 GPA are welcome to apply. Recipients for this scholarship are selected based on academic success, community service record, and an essay. In addition, recipients must also demonstrate financial need by completing the FAFSA.

The amount of each of the scholarships was determined by the committee at the inception of X and is expected to remain constant.

X is publicized by news releases to the local newspaper and through the efforts of the guidance department at a local high school.

Recipients of the four-year scholarship will be required to provide transcripts from their college after each semester. If the recipient's cumulative GPA falls below a 3.0 for more than one semester, the Scholarship will not be renewed for the coming semester, and a new recipient will be selected. All funds will be paid directly to the academic institution.

You attested that you maintain case histories showing recipients of your scholarships, fellowships, educational loans, or other educational grants, including names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you.

You attested that relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for awards made under your program.

You attested that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate stops to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You attested that you will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that

meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements